

Wiltshire Council

Overview and Scrutiny Management Committee

20 March 2018

Final Report of the Third Party Advertising Policy Task Group

Purpose

1. To present the conclusions and recommendations of the Third Party Advertising Policy Task Group for endorsement and referral to the Cabinet Member for Communications, Communities, Leisure and Libraries.

Background

2. On 31st October 2017 the Chairman and Vice-Chairman of OS Management Committee met with the Cabinet Member to discuss OS engagement on key projects within the 'Communities and Communications' portfolio. The Cabinet Member invited OS to help develop the council's Third Party Advertising Policy, which was then scheduled for Cabinet approval in December 2017.

Terms of Reference

3. The task group was subsequently established by OS Management Committee on 28 November 2018 with the following terms of reference:
 - a) To support the development of the council's Third Party Advertising Policy, by considering,
 - Legal and commercial issues
 - The ethos, values and reputation of the council
 - Supporting local businesses and economic development
 - Opportunities for income generation
 - b) To submit and findings and recommendations to the Cabinet Member prior to the Policy's consideration by Cabinet in 2018.

Membership

4. The opportunity to take part in the task group was offered to all non-executive councillors and the following were appointed:

Cllr Stuart Wheeler (Chairman)

Cllr Alan Hill

Cllr George Jeans
Cllr Nick Murry
Cllr Graham Wright

Methodology

5. The task group met on 6 occasions between November 2017 and March 2018. It is grateful to the following witnesses who contributed to its review:

Laurie Bell	Service Director for Communities and Communications, Wiltshire Council
Cllr John Thomson	Cabinet Member for Communications, Communities, Leisure and Libraries, Wiltshire Council
Helen Burnett	Head of Business and Commercial Development, Birmingham City Council
Susan Fleming	Senior Account Executive, Birmingham City Council
Kerry Carpenter	Marketing and PR Co-ordinator, Dorset County Council
Mark Fortune	Commercial Manager, Dorset County Council
Angela Redman	Commercial Business and Marketing Manager, West Sussex County Council
Susanne Sanger	Scrutiny Officer, West Sussex County Council

Evidence

Context

6. The council's Business Plan 2017-27 (scrutinised by OS Management Committee in June 2017) set out the objective of taking an "efficient, commercial and long term approach with an increase in trading of our services." The council's Financial Plan update 2018/19, also scrutinised by Committee and agreed by Full Council, included an income target of £0.150M specifically from advertising and sponsorship opportunities for the next financial year.
7. The task group contacted approximately 30 other councils with a view to learning from their experiences of developing advertising functions, with particular focus on 10 councils considered to be Wiltshire's close comparators. Overall the responses suggested that a large majority of councils are in their infancy in terms of developing this area or have not yet developed it at all.
8. Research also suggests that, of those councils that are pursuing some form of advertising, few have had significant Executive or non-Executive councillor involvement in the development of their advertising policies or functions.

The ethos, values and reputation of the council

9. The Advertising Policy proposed to Cabinet sets out the terms for third party advertising and sponsorship and the guidelines for what is acceptable, or unacceptable, to ensure there is no conflict with the council's vision, priorities and values. The policy includes the advertising codes of conduct and sets out the criteria for the advertising materials that are deemed appropriate.
10. Having considered advertising policies from a number of other councils, Wiltshire's is the most detailed in terms of defining what will, and will not, be considered acceptable. Birmingham City Council has a well-developed advertising function generating substantial income for the authority, but so far it has not adopted an advertising policy. Guidance on what advertisements are acceptable to the authority are instead set out in the template contract used with its advertising agencies.
11. Other councils spoken to by the task group have reported many instances where their advertising policy has required a degree of interpretation. For example, when an advert is submitted by a national 'fast-food' outlet, but promoting one of its healthier options; or an established local brewery wishing to advertise on a council roundabout, something potentially and arguably in conflict with that council's substance abuse agenda.
12. This council's proposed Policy and those considered from other councils are similar in terms of the criteria outlining which adverts and organisations will be considered acceptable or prohibited. It is noted that some local authorities' policies also consider adverts selling defence products or 'fast food' unacceptable; neither are referred to in this council's proposed Policy.
13. The draft Policy states that all adverts run by the council will carry a disclaimer, absolving council liability for errors or omissions in the content, and clarifying that the council does not support or endorse the advertiser.

Delivery model

14. The proposal in the report to Cabinet is to procure an external provider to secure third party advertising on behalf of the council.
15. Other councils spoken to by the task group reported a range of models for the delivery of their advertising functions. This included Dorset County Council delivering aspects of their the function entirely inhouse (having previously contracted an external agency); and Birmingham City Council having a small internal team that contract-manages a selection of agencies responsible for different advertising formats.
16. All of the councils spoken to reported advantages in retaining a strong element of internal management:
 - a) Doing so maximises the development of skills and experience within the council, which better enables the function to expand into the longer

term. The commercial acumen within the relevant officer teams was considered to be crucial.

- b) The income generated is not shared with another organisation and can be used to further develop internal capacity, creating greater income potential in the future;
- c) The council is more able to assure itself that the maximum possible revenue is being generated from its estate. One of the councils spoken to identified that income from roundabout advertising was not reaching its potential under external management and generated significantly more having brought the service inhouse.
- d) Potentially a greater ability to ensure that the council's advertising policy is applied and that the council's values and reputation are being protected.

17. In terms of the function's delivery, other councils have offered the following 'lessons learned' drawn from their own experiences of developing an advertising function:

- a) Any contract with an advertising agency should be on a Guaranteed Lump Sum (GLS) percentage profit-share model to ensure the risk is shared with the agency. This should be on a gross income basis to avoid disagreements about cost;
- b) Advertising that requires more significant capital investment (for example, new billboards) should point to longer contract terms (10-15 years);
- c) All of the upfront costs, such as capital expenditure and rates, should fall on the contractor;
- d) Advertising estate always has periods of dis-use ("voidage") and the "voidage" percentage agreed in the contract should be carefully considered;
- e) Localities will only attract and sustain finite amounts of advertising investment, i.e. More assets don't mean exponentially more investment. It is unwise to dilute one's offer by scattering it too thinly and better to identify the key opportunities and maximise those;
- f) The advertising market can be fickle and unpredictable in terms of income potential, even with the benefit of years of experience. The local, national and international economy has a significant effect on advertising investment and it can diminish it very suddenly.

Opportunities for income generation

18. The draft report to Cabinet outlines some potential areas of the council's estate that could provide advertising opportunities. By speaking to other councils the task group has identified some potential avenues, and the advantages and challenges presented by each:

- a) **Website:** While some council websites do host adverts from partners or local VCS groups (e.g. for forthcoming community events) the task group is not aware of any council websites generating income through adverts. Some councils have previously explored this area, but have then stepped away and focused on opportunities considered more straight-forward. This was due to

the time investment and specialist skills required when implementing and managing web adverts. There are companies that specialise in managing this service for councils, but the usual downsides such as profit-share and loss of full control apply.

- b) **Roundabout sponsorship and county boundary signs:** Dorset County Council has been successful in increasing their annual income from adverts on roundabouts year on year. It now has 81 sponsored roundabouts in place, generating around £0.150million per annum, with a target of £0.500M income within 5 years from all advertising and sponsorship. The service was previously contracted out to an external provider, but the council saw an opportunity to improve the income stream and profit-share by bringing it inhouse (including creating and installing the signs themselves). Some councils are also now considering introducing adverts near or attached to their county boundary signs.
 - c) **Refuse vehicles:** The other councils spoken to had mixed views on the commercial appeal and income potential of adverts on refuse vehicles. One council had previously developed a business case for this area, but was unable to generate interest from the market. Conversely, two other councils were optimistic regarding its potential and one is actually now implementing advertising on 30 of its fleet of 200 refuse lorries.
 - d) **Bus stops and lampposts:** For Birmingham City Council, small format digital advertising, such as in bus stops with digital screens, is a key growth area for generating income from advertising. Telephone kiosks are also popular.
 - e) **Council payslips:** West Sussex County Council enclose advertisements with their staff's payslips, which reach over 15,000 employees across the county.
 - f) **Council publications:** West Sussex County Council also offers adverts in its various publications, which include its Bereavement Guide, Buy With Confidence Directory, Taste West Sussex and West Sussex Connections.
19. West Sussex County Council has a [webpage](#) presenting its advertising offer, setting out the options to potential advertisers in detail, including an indication of cost. Dorset County Council is now developing a webpage through which potential advertisers can search those roundabouts available for commercial sponsorship by certain criteria.
20. The [Cross Council Revenue Group](#) is a national network that has been operating for over a decade and shares ideas and best practice regarding local authority income generation. Its members are typically officers working in marketing, communications, sponsorship and advertising roles. The Group's overall strategic aim is to achieve better commercial outcomes for its members, including the ambition to bolster return on investment rates and value for money, responding to the challenges of austerity. A fundamental element of this is through improving collaborative opportunities, grow business minded innovation and entrepreneurial thinking in local government.

Legal issues

21. Several of the local councils spoken to emphasised the importance of councils' planning strategies being in alignment with its objectives regarding advertising. With both roundabouts and boundary signs, gaining planning permission is obviously an essential part of the process. Several years ago one council agreed a large advertising contract and then its planning department refused permission for the relevant sites. Obtaining planning consent for specific sites before seeking contractors can also increase the value of, and interest in, advertising contracts.

Conclusions

Context

22. As the report to Cabinet sets out, the council continues to operate in a challenging financial climate with significant budget pressures and increasing demand for some services. In this context and with the income generating potential evident within the council's asset base, the task group supports taking forward a programme to generate revenue through the provision of third party advertising opportunities. (**Recommendation 1**)
23. As well as generating income for the council, which is emphasised in the report to Cabinet, advertising opportunities can be for wider community benefit and support the local economy. West Sussex County Council suggested that while some of its commercial activities may only generate small profits for the authority, they have been worth investment for their wider community impacts.

The ethos, values and reputation of the council

24. The task group supports the adoption of a robust advertising policy to guide this work. The policy will be essential in ensuring that the council's approach to advertising reflects its vision, priorities and values. It will help mitigate the risk of the council incurring reputational damage, being exposed to legal challenge, causing conflicts with existing service priorities or negating the council's public service role. Finally, the Policy will support councillors and officers to take fast, consistent decisions in terms of the advertisers and adverts that are appropriate for the council's estate. (**Recommendation 2**).
25. The task group is grateful for the Executive's proactive engagement with Overview and Scrutiny on this topic (**Recommendation 3**). Ongoing councillor input on the Policy is to be welcomed, given the importance of protecting the council's role and reputation as the more 'commercial' approach outlined in the Business Plan 2017-27 takes shape. It will be important that this council's Policy is reviewed regularly, including by overview and scrutiny, to ensure any lessons are learned from the criteria's practical application. (**Recommendations 4 and 5**)
26. The task group welcomes the clear statement in the proposed Policy that the council will retain the right to refuse advertising when it considers it inappropriate or in conflict with services already being provided. The clear disclaimer absolving

the council liability for errors or omissions in advertisement content, and clarifying that the council does not support or endorse the advertiser, is also welcomed. It may be that adverts in certain media (such as web, if this is pursued in the future) are more likely to be misinterpreted as representing endorsement by the council and consideration will need to be given to this.

27. Although certain restrictions on the adverts and advertisers the council will do business with are vital, excessive restriction can make it more difficult to find an advertising agency willing to market the council's assets. Birmingham City Council had planned to ask fast-food advertisers to state their products' sugar and fat content, but had subsequently not found an agent interested in marketing the space.

Delivery model

28. The task group recognises that advertising is a new venture for the council and it may not currently have the commercial expertise, specialist skills and capacity to develop this function from a standing start. The procurement of an external agency may therefore be sensible in the short term to get the function up and running. It will also enable the council to learn from its initial experiences of advertising while sharing the challenges and risks with a partner organisation. However, if the external route is chosen, retaining control regarding both our Policy's application and the ability to bring the function inhouse without significant complication or delay (through an appropriate contract) must be considered. **(Recommendation 6)**
29. The task group supports the proposal that the contract specification focuses on procuring a Wiltshire-based company that has an established network of local and national businesses. However, undertaking a difficult tendering process to potentially not find a willing or suitable agency may also be a risk to be considered and was experienced by one of the councils spoken to. The task group supports the market analysis already undertaken in terms of assessing potential advertising income, but likely interest from Wiltshire-based advertising agencies should be determined before this route is agreed. **(Recommendation 7)**

Opportunities for income generation

30. The various opportunities and challenges highlighted by other councils are outlined under paragraph 18 are referred to Cabinet for consideration to support the development of this council's advertising function. **(Recommendation 8)**
31. To be successful, the council's advertising offer will need to reflect Wiltshire's characteristics. While Birmingham City Council has been able to generate significant income from its inner-city billboards and bus stops the footfall at equivalent locations in Wiltshire will not compare, thus neither will their income potential. The highest yielding opportunities in Wiltshire will need to be identified and balanced with the complexity and risk involved in taking them forward. **(Recommendation 9)**

32. Success will also rely on the effective promotion of the council's advertising offer, including through a clear and informative webpage presenting the options and packages available (see West Sussex County Council).
33. The task group has found its conversations with other councils extremely informative and is grateful to all those who contributed. It hopes the council takes all opportunities to collaborate and learn from other local authorities when taking this area forward, including through active participation in the [Cross Council Revenue Group](#). The collective knowledge and experience of other local authorities will be a valuable resource as local government's interest in generating income through commercial opportunities gathers pace across the country. (**Recommendation 10**)

Proposal

34. To endorse the following recommendations and, where appropriate, refer them to Cabinet for consideration and response:
 1. **In light of the financial challenges faced by the council and of wider potential benefits to the local economy, to begin using the council's asset base to begin to generate revenue income through the provision of third party advertising opportunities.**
 2. **To adopt the proposed Advertising Policy in order to guide the council's choice of advertisers and adverts and its development of an advertising function.**
 3. **To welcome the Executive's proactive engagement with Overview and Scrutiny on the development of the council's Advertising Policy and function.**
 4. **To review the Advertising Policy regularly to ensure any lessons are learned from its application in practice and that the council's core purpose, values and reputation are protected.**
 5. **a) To ask the task group to reconvene and receive an update on the development of the advertising function on a date to be agreed with the Cabinet Member;**

b) In light of that update, the task group to bring a recommendation back to OS Management Committee regarding appropriate further scrutiny of this area.
 6. **To note,**
 - a) **The advantages of managing the council's advertising function internally when the necessary skills and knowledge are in place, and therefore...**

b) The advantages of being able to bring the function inhouse when appropriate without significant complication or delay through the agreement of an appropriate contract.

- 7. To support the focus on procuring a Wiltshire-based company with an established network of local and national businesses, but that likely interest from such agencies is assessed before committing to external management of the function.**
- 8. To consider the 'lessons learned' offered by the other councils spoken to and reported under paragraph 18.**
- 9. To ensure that Wiltshire's specific characteristics are considered when selecting the key advertising opportunities to pursue and assessing their income potential.**
- 10. To take all opportunities to collaborate and learn from other local authorities in developing the council's advertising function, including through participation in the Cross Council Revenue Group.**
- 11. To ensure that the councils' planning strategy is in alignment with the its objectives regarding advertising.**

Cllr Stuart Wheeler, Chairman of Third Party Advertising Task Group

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Appendices

Appendix 1 Report to Cabinet, 27 March 2018: "Third Party Income Generation - Advertising Policy"